

# TRANSPORTATION REVENUE TRACKING REPORT

## DEPARTMENT OF MOTOR VEHICLES

### HIGHWAY MAINTENANCE & OPERATING AND TRANSPORTATION TRUST FUNDS STATE TAXES AND FEES (\$ Thousands)

Revenue Sources	FY 00 _1/ Forecast	February		Fiscal Year-To-Date				
		Revenue Collected	% Change Year Ago	Revenue Collected	Revenue Forecast	\$ Variance	% Change	
							Actual	Forecast
Motor Fuels Taxes _2/	\$779,534	\$69,270	14.1	\$478,035	474,035	4,000	3.0	2.1
Motor Vehicle Sales & Use Tax _3/	456,142	37,426	13.4	313,404	285,653	27,751	13.9	3.8
State Retail Sales Tax	371,400	27,913	6.6	249,893	249,781	112	8.2	8.1
Motor Vehicle Licenses	139,636	11,682	14.4	90,299	94,428	(4,128)	4.3	9.1
International Registration Plan	52,068	4,075	(9.9)	28,593	30,622	(2,029)	15.9	24.2
Interest Earnings	4,482	0	#N/A	4,522	3,075	1,447	(24.3)	(48.5)
Miscellaneous _4/	12,596	1,456	(14.6)	10,609	7,945	2,663	18.0	(11.6)
<b>Total State Taxes and Fees</b>	<b>\$1,815,859</b>	<b>\$151,821</b>	<b>11.4</b>	<b>\$1,175,354</b>	<b>\$1,145,539</b>	<b>\$29,816</b>	<b>7.2</b>	<b>4.5</b>

\_1/ November 1999 Forecast

\_2/ Includes the road tax and applicable aviation taxes.

\_3/ Includes applicable rental tax.

\_4/ Miscellaneous fees in the Highway Maintenance and Operating Fund.

Note: Due to rounding columns may not add up exactly

#### Bottom Line

February 2000 has seen an acceleration in the revenues deposited to the Commonwealth Transportation Fund. Total revenues increased 11.4 percent for the month over February of last year, and are 7.2 percent greater than last year on a YTD basis. Total revenues are currently running 2.7 percent ahead of forecast for the year. The two major contributors to the positive variance are Motor Fuels Tax and Motor Vehicles Sales and Use Tax revenues.

#### Motor Fuels Tax

Motor Fuels Tax revenues have rebounded for the month of February, growing by 14.1 percent over the same month last year. On a YTD basis, revenues from the sale of motor fuel are ahead by 3.0 percent. Total gallons of gasoline taxed for this fiscal year to date are actually running 1.5 percent ahead of last year and diesel gallons taxed are running 6.1 percent greater than last year. Total gallons are currently ahead on a YTD basis by 2.5 percent which is strong evidence that higher prices at the pump have not yet had the effect of reducing demand.

#### Motor Vehicle Sales and Use Tax

Automotive sales continue to defy gravity. According to industry statistics, February sales were at record level. The industry reported that February sales were 11.3 percent greater than at this point of last year. Revenue from Motor Vehicle Sales and Use Taxes reflect that strong growth in sales and those revenues increased 13.4 percent for the month and are

13.9 percent over last year on a YTD basis. New taxable titles increased 13.5 percent for the month and are currently 14.9 percent ahead on a YTD basis.

#### State Retail Sales Tax

State Retail Sales Tax revenues grew 6.6 percent for the month of February and at the rate of 8.2 percent on a YTD basis. This is only 0.1 percent ahead of the forecast. FAO expects one, maybe two, more interest rate increases this year and as a result of this, a slowdown in the growth of this revenue source is still expected. However, with low inflation and very high employment, consumers are still buying durable commodities that generate state sales tax revenue.

#### Motor Vehicle Licenses

Motor Vehicle License revenues increased by 14.4 percent for the month but are running \$4.1 million below forecast for the year. On a YTD basis, this revenue source is growing at a 4.3 percent rate. Total vehicle registrations increased 17.0 percent for the month and are ahead on a YTD basis by 6.3 percent. Revenues are forecast to be somewhat more than these strong registration figures due to a very optimistic forecast.

#### Other Revenues

International Registration Plan (IRP) revenues are down 9.9 percent for the month of February compared to the same month last year. IRP revenues are presently \$2.0 million less on a YTD basis than expected from the forecast. As noted earlier, this is a revenue source that varies considerably month to month. Interest earnings are down for the year based upon low cash balances

## HIGHWAY MAINTENANCE AND OPERATING FUND (HMOF)

(\$ in Thousands)

Revenue Sources	FY 00 _1/ Forecast	February		Fiscal Year-To-Date				
		Revenue Collected	% Change Year Ago	Revenue Collected	Revenue Forecast	\$ Variance	% Change Actual	% Change Forecast
Motor Fuels Taxes _2/	\$676,991	\$58,258	15.3	\$412,584	412,072	\$511	3.5	3.4
Motor Vehicle Sales and Use Tax	294,216	23,575	10.7	201,185	184,325	16,860	15.0	5.3
Motor Vehicle Licenses	121,747	10,137	14.6	78,795	82,451	(3,656)	4.8	9.7
International Registration Plan	52,068	4,075	-9.9	28,593	30,622	(2,029)	15.9	24.2
Miscellaneous	12,596	1,456	-14.6	10,609	7,945	2,663	18.0	-11.6
Total State Taxes and Fees	<b>\$1,157,618</b>	<b>\$97,500</b>	<b>12.2</b>	<b>\$731,765</b>	<b>\$717,416</b>	<b>\$14,349</b>	<b>7.2</b>	<b>5.1</b>
Federal Grants and Contracts _3/	2,486	708	60.2	5,592	n/a	n/a	23.4	n/a
Transfer to TTF _4/	(11,224)	0	#N/A	0	n/a	n/a	#N/A	n/a
<b>Total HMOF</b>	<b>\$1,148,880</b>	<b>\$98,208</b>	<b>12.4</b>	<b>\$737,357</b>	<b>n/a</b>	<b>n/a</b>	<b>7.3</b>	<b>n/a</b>

\_1/ November 1999 Forecast

\_2/ Includes the road tax.

\_3/ Revenues reflect prior period activity and are not a reliable measure of revenue or fiscal capacity of the State's program

\_4/ Current law provides for balances to be transferred to the Transportation Trust Fund (TTF)

Note: Due to rounding columns may not add up exactly

## TRANSPORTATION TRUST FUND

(\$ in Thousands)

Revenue Sources	FY 00 _1/ Forecast	February		Fiscal Year-To-Date				
		Revenue Collected	% Change Year Ago	Revenue Collected	Revenue Forecast	\$ Variance	% Change Actual	% Change Forecast
Motor Fuels Taxes _2/	\$102,543	\$11,012	8.6	\$65,451	\$61,963	\$3,488	-0.1	-5.5
Motor Vehicle Sales and Use Tax _3/	161,926	13,851	18.2	\$112,219	101,327	10,891	11.9	1.1
State Retail Sales Tax	371,400	27,913	6.6	\$249,893	249,781	112	8.2	8.1
Motor Vehicle Licenses	17,889	1,545	12.9	\$11,504	11,976	(472)	1.1	5.3
Interest Earnings	4,482	0	#N/A	\$4,522	3,075	1,447	-24.3	-48.5
Total State Taxes and Fees	<b>\$658,240</b>	<b>\$54,321</b>	<b>9.9</b>	<b>\$443,589</b>	<b>\$428,123</b>	<b>\$15,466</b>	<b>7.1</b>	<b>3.4</b>
Federal Grants and Contracts _4/	700,500	39,134	76.3	346,047	n/a	n/a	6.9	n/a
Local Contributions _5/	39,152	1,538	117.5	49,127	n/a	n/a	260.7	n/a
Toll and Other Revenues _6/	48,094	4,503	127.9	41,746	n/a	n/a	13.5	n/a
Transfers from HMOF	11,224	0	#N/A	0	n/a	n/a	-16.2	n/a
<b>Total TTF</b>	<b>\$1,457,210</b>	<b>\$99,496</b>	<b>53.6</b>	<b>\$880,509</b>	<b>n/a</b>	<b>n/a</b>	<b>16.8</b>	<b>n/a</b>

## TOTAL TRANSPORTATION FUNDS

<b>Total HMOF &amp; TTF Revenues</b>	<b>\$2,606,091</b>	<b>\$197,704</b>	<b>29.9</b>	<b>\$1,617,866</b>	<b>n/a</b>	<b>n/a</b>	<b>9.7</b>	<b>n/a</b>
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\_1/ November 1999 Forecast

\_2/ Includes road and aviation fuel taxes.

\_3/ Includes applicable rental tax.

\_4/ Revenues reflect prior period activity and are not a reliable measure of revenue or the fiscal capacity of the State's program.

\_5/ Local government contribution are received on a cost-share basis as provided by law.

\_6/ Receipts from Dulles, Powhite and Coleman Bridge and miscellaneous revenues.

Note: Due to rounding columns may not add up exactly

## THE MARKET FOR USED VEHICLES

It is common knowledge that new vehicle sales have enjoyed magnificent performance levels over the last few years. However, it is less known that used vehicles have done equally as well and constitute a much bigger market than that of new vehicles. ADT Automotive recently published an excellent review of the used vehicle market, which offers some interesting perspectives on that market. The following table sets out a few of those perspectives.

THE 1999 VEHICLE MARKET - SALES TRANSACTIONS				
		Volume	Average	Value
		(000's)	Price	(\$Billions)
New Vehicles		16,959	\$20,534	\$348
Used Vehicles				
	Franchised Dealers	16,340	\$12,630	\$206
	Independent Dealers	14,270	\$7,590	\$108
	Casual Sales-Individuals	10,280	\$4,505	\$46
SubTotal-Used		40,890	\$8,828	\$361
Total Transactions		57,849	\$12,260	\$709

Source: "2000 Used Car Market Report", ADT Automotive, p.4.

Franchised dealers sell almost as many used vehicle units as they do new vehicles. If all used vehicle sales were added together, the units sold are almost 2.5 times greater than those of new vehicles. Whereas the average price of new vehicles greatly exceeds that of used vehicles, the overall value of used vehicles is the greatest. The market for used vehicles is clearly the largest market existing for automotive sales.

The logistics for the sale and marketing of used vehicles is considerably different than that of new vehicles. According to the ADT Report, casual sales by owner now amount to approximately 10 million units sold annually. They have declined as consumer leasing has grown and are expected to decline further as retailers play a bigger role in the used vehicle market.

Most consumers "remarket" their used vehicles through trade-ins to franchised and independent dealers on new and "newer" used vehicle purchases. This accounts for an estimated 20 million units in the used vehicle supply chain. Many of these trade-ins are further redistributed via auctions and wholesalers before being sold to the ultimate used vehicle buyer.

Manufacturers, financial institutions, rental companies and commercial fleets account for the remaining 10 million units of used vehicle supply in the 40 million used vehicle market. These "institutional" used vehicle suppliers primarily use the established wholesale auction distribution network to handle the redistribution, processing, preparation, and remarketing of their vehicles. The following discusses some of the other key automotive distribution trends as noted by ADT Automotive.

### The Internet

Automotive E-commerce continues to grow both through wholesale sales of used vehicles by suppliers to dealers ("Business-to-Business") and through retail sales by dealers to consumers ("Business-to-Consumers").

SALES BY FRANCHISED DEALERS INITIATED VIA THE INTERNET (Based on NADA Survey)							
	Total # of	Percent	Estimated #	Vehicles Sold			
	Franchised	With Web	Of Dealers	Per Dealer Per Month			
Year	Dealers	Site	w/Website	New	Used	Total	
1999	22,400	74%	16,576.00	5.3	2.3	7.6	
1998	22,600	61%	13,786.00	5.3	3.3	8.6	
1997	22,700	47%	10,669.00	5.0	2.9	7.9	
1996	22,750	29%	6,598.00	2.5	1.6	4.1	

In the table above, it can be seen that the number of franchised dealers who have web sites has risen dramatically over the last four years. As estimated by NADA, 74% of all franchised dealers now have web sites. For these transactions, the Internet was primarily used to obtain various levels of information regarding dealerships, vehicles and prices via dealership web sites and referral services. Virtually all of these purchases required dealership visits to close. The next step in Internet transactions is going to be direct purchase. General Motors and Ford are both actively pursuing this advanced application of e-commerce.

### Used Car Superstore

The first used car superstore was opened in 1993 by Circuit City's CarMax subsidiary, and since that time there have been many optimistic projections of superstore growth. According to the ADT Automotive Report, 1999 saw dramatic change in this portion of the industry since the inception of superstores. Unfortunately for the superstore concept, this was the year when the industry went full circle leaving the first player, CarMax, as the only major superstore to remain.

### Program Vehicles

Program vehicles are vehicles sold to rental companies by the manufacturer with a guarantee to repurchase those vehicles when they end their service lives as rental units. Traditionally, program vehicles consisted largely of standard-sized cars and minivans. With the increase in sales of higher priced vehicles such as compact sport utility trucks, the average price for program vehicles has risen.

Key Revenue Indicator Tracking Report February-00									
Key Indicator	FY 1999 Total	FY 2000 Forecast	Month		% Change	Year-to-Date		% Change	% Annual Growth Required By Forecast
			FY 2000	FY 1999		FY 2000	FY 1999		
Net Taxable Gallons (000's)	4,462,898	4,523,087							1.3
Dec-99			367,489	387,394	-5.1	2,286,861	2,230,922	2.5	
Total Taxable Vehicle Sales (000's)	\$14,014,643	\$14,759,099	\$1,196,058	\$1,047,539	14.2	10,195,956	8,857,779	15.1	5.3
New Taxable Vehicle Sales (000's)	\$7,607,758	\$8,192,324	\$647,114	\$546,794	18.3	5,747,494	4,811,799	19.4	7.7
Used Taxable Vehicle Sales (000's)	\$6,406,885	\$6,566,774	\$548,945	\$500,745	9.6	4,448,463	4,045,980	9.9	2.5
Total Taxable Titles	1,494,974	1,535,637	126,254	117,988	7.0	1,003,673	941,963	6.6	2.7
New Taxable Titles	357,761	374,609	28,257	24,902	13.5	257,375	223,994	14.9	4.7
Used Taxable Titles	1,137,213	1,161,028	97,997	93,086	5.3	746,298	717,969	3.9	2.1
Average Price All Motor Vehicles	\$9,364	\$9,546	\$9,473	\$8,878	6.7	10,152	9,395	8.1	1.9
Average Price New Vehicles	\$21,265	\$21,869	\$22,901	\$21,958	4.3	22,331	21,482	4.0	2.8
Average Price Used Vehicles	\$5,634	\$5,656	\$5,602	\$5,379	4.1	5,961	5,635	5.8	0.4
Total Vehicle Registrations	5,519,697	5,602,329	465,441	397,736	17.0	3,677,973	3,458,483	6.3	1.5
One-Year Registrations	4,797,398	4,850,941	403,178	345,195	16.8	3,189,097	3,010,941	5.9	1.1
Two-Year Registrations	722,299	751,388	62,263	52,541	18.5	488,876	447,542	9.2	4.0

Twelve Month Rolling Average <sup>1</sup> February-00			
Revenue Source <sup>2</sup>	From 3-99 to 2-00		From 3-98 to 2-99
	(\$Thousands)		Percent Difference
Motor Fuels Tax	\$65,452	\$62,855	4.1%
Motor Fuels Tax 3	\$64,263	\$61,700	4.2%
Aviation	\$116	\$116	-0.4%
Road Tax	\$1,073	\$1,039	3.3%
Vehicle Sales Tax	\$39,977	\$35,001	14.2%
Vehicle Sales Tax	\$39,459	\$34,522	14.3%
Rental Tax	\$518	\$479	8.1%
Retail Sales Tax	\$30,337	\$27,906	8.7%
Motor Vehicle License	\$11,858	\$11,521	2.9%
IRP	\$4,452	\$4,009	11.0%
<sup>1</sup> Of Selected Revenue Sources			
<sup>2</sup> Includes HMOF and TTF			
<sup>3</sup> Includes Clean Special Fuels Tax revenues			